

March 11, 2002

To: Supervisor Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
Supervisor Yvonne Brathwaite Burke  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: David E. Janssen  
Chief Administrative Officer

**POLICY ISSUES REGARDING DEPARTMENT OF MENTAL HEALTH'S PROPOSED  
CONTRACT WITH LIBERTY BEHAVIORAL HEALTH CORP.  
(ITEM NO. 41, AGENDA OF MARCH 12, 2002)**

This is to advise your Board of policy issues related to the Department of Mental Health's (DMH) proposed contract with Liberty Behavioral Health Corporation. This proposed agreement provides for the services of eight full-time child psychiatrists at Probation facilities and two adult psychiatrists to support the Antelope Valley Outpatient Mental Health Clinics. The annual contract cost is \$3.65 million for ten psychiatrists (including administrative costs), with a contract maximum of \$7.7 million through June 30, 2004.

This memo provides a discussion of: (1) current efforts to recruit psychiatrists to DMH, (2) salary and employee relations issues, and (3) DMH's current budgetary situation.

**Search Firm to Recruit Psychiatrists to DMH**

For several years, DMH has experienced difficulty in filling all its needs for psychiatrist positions. To address this problem, the Department of Human Resources (DHR), DMH, and this office are now finalizing a contract with CompHealth to recruit 16 to 40 adult and child psychiatrists to support existing mental health programs. The contractor will also work with DHR, DMH, and this office to address retention problems, strengthen existing recruitment and retention practices, and review administrative and salary and benefit issues.

It is anticipated that the CompHealth contract will be brought to you for approval within the next 30 days. This agreement also will serve to comply with a provision in the Memorandum of Understanding (MOU) with the Union of American Physicians and Dentists (UAPD) that requires the County to perform a recruitment study. Upon the conclusion of the study, the parties agreed that, upon the request of the union, management may re-open negotiations on recruitment, salaries, and related issues.

### **Salary and Employee Relations Issues**

On December 7, 2000, your Board approved an MOU between the UAPD representing Mental Health Psychiatrists and the County. The agreed upon salaries were deemed competitive based on compensation surveys reviewed during negotiations.

Further, after reviewing current salaries paid by the top ten counties in California, the State and the Veterans Administration, we conclude that the County's range maximum exceeds that of all surveyed jurisdictions. However, the range minimum is not competitive. Therefore, in accordance with Section 6.08.220 (Step Placement Upon Appointment) of the County Code, my staff will continue to expedite the review and approval of Special Step Placement requests for all psychiatrist hiring requests.

The current top step salary (without benefits) for Board certified County psychiatrists is \$148,046 (including Board certification bonus). In contrast, the Liberty Contract provides for a salary of \$238,963 per year for each Board Certified Psychiatrist. An additional \$34,788 per position is allocated for relocation, interviews, malpractice insurance continuing education, temporary living expenses, and overhead. The total for each psychiatrist is \$273,750 per year. This contract raises the following issues:

- Although these temporary employees are Liberty employees, they are receiving salaries that far exceed those of permanent County employees.
- The County will pay a large premium over market rates for psychiatrists in DMH.
- The contract provides a basis for the UAPD to argue that current County salaries are not competitive, when in fact they are.
- Two existing civil service positions in the Antelope Valley will be filled with Liberty contract employees.
- After the Liberty contract terminates, it is contemplated that eight new civil service positions will be created to replace the Liberty provided child psychiatrists. It is not clear how these will be filled.

- UAPD also represents Bargaining Unit #324 (Physicians). Psychiatrists who work in the Department of Health Services and Sheriff's Department are represented in this unit. The Terms and Conditions of Employment for this group expire on August 31, 2002. Approval of the Liberty Contract will have direct impact on negotiations with Unit 324, which are scheduled to begin May/June, 2002.

### **Budget and Other Issues**

For FY 2002-03, DMH faces a large budget shortfall, currently estimated at approximately \$40 million. DMH is currently working with my office to identify curtailments to achieve this reduction. In FY 2001-02, DMH also continues to experience large projected cost overruns in areas such as pharmaceuticals and inpatient care. On March 5, 2002, your Board directed DMH to report back within two weeks on its use of one-time funds to pay for ongoing services, and on potential revenue and service reductions in FY 2002-03.

Beyond the approximately \$40 million in needed curtailments for FY 2002-03, DMH has included a number of very aggressive revenue generation and cost reduction proposals in its FY 2002-03 budget. To ensure that these very aggressive plans are achieved, my office will continue to monitor DMH's ongoing financial condition. If DMH does not achieve its goals, they may need to identify further curtailments during FY 2002-03.

To pay for the Liberty contract in FY 2002-03 and FY 2003-04, DMH has identified a potential new revenue source that is now under review. However, this contract must be viewed within the context of DMH's overall serious budget situation. In short, whatever funds are used to pay for this contract will not be available to offset other pending service reductions.

The Liberty contract provides for a sole source contract with an initial term of 22 months and an option to extend for an additional one year period.

### **Summary**

Before approving the contract with Liberty, we recommend that your Board fully consider the potential impact of this agreement within the context of:

- The structure of existing psychiatrist employees' compensation at DMH.
- The potential impact on union relations and negotiation issues.
- Imminent plans to retain a search firm to address recruiting and retention issues.
- DMH's current financial condition.

Before considering the contract with Liberty, we recommend that the search firm be given the opportunity to recruit qualified psychiatrists and achieve the other outcomes listed above.

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Upon conclusion of the recruiting and retention study, the MOU with UAPD provides that, upon the request of the union, management may re-open negotiations on recruitment, salaries, and related issues. At that time, the County could address compensation related recruitment and retention issues if mid-term negotiations are needed.

Since the term of the existing MOU with UAPD expires on September 30, 2003, we will negotiate a successor MOU within Board-approved parameters, which will include all unresolved issues including compensation, recruitment and retention when negotiations resume in June/July 2003.

Regardless of the Board's decision on the Liberty contract, we believe that the contract with a search firm is necessary to address ongoing psychiatrist recruitment and retention issues at DMH. We will support approval of this item when it comes before the Board.

If you have any questions or need additional information, please call me, or your staff can call James Jones of my staff at 974-1128.

DEJ:DL  
SRK:JEJ:tld

c: Executive Officer, Board of Supervisors  
County Counsel  
Director, Department of Human Resources  
Director, Department of Mental Health